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January 17, 2003

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th Street, SW, Room TWB-204
Washington, DC 20554

Re: Notice of Written Ex Parte Communication, In the Matter of Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers, CC Docket Nos. 01-338, 96-98 and 98-147

Dear Ms. Dortch:

I am writing to clarify the context of two papers AT&T has submitted into the record of this proceeding. The first is a detailed description of the costs associated with the build out of CLEC collocation space and backhaul infrastructure. These are the equipment and build-out costs that CLECs would be forced to incur to build a point-to-point transport infrastructure in the event they were denied access to cost-based UNE transport for the same route. AT&T's analysis shows that the costs associated with deploying collocation and backhaul average about $33,000/month and that at least 18 DS3s in traffic volume is required to make such investment prudent.

The second paper estimates the cost of constructing loop facilities, including tails or any physical connection between a customer location and the network of the serving carrier. The paper concludes that a CLEC must have the potential to serve a large number of buildings (about 20) within a consolidated geographic area, with each building generating at least 3 DS3s of demand before a build is economic. The necessary predicate for construction of such loops is, of course, the existence of economically justifiable transport facilities in reasonable proximity.

I want to make clear that AT&T's estimate of when it is economic to build-out loop facilities (the 3 DS3 threshold described above) *cannot* be applied to the question of when it is economic to build backhaul infrastructure to replace UNE transport. This is true for one key reason: the cost components analyzed in each discussion are completely different. In estimating the cost of high-capacity loop construction, one must look at the cost of

employing capacity on an existing LSO ring; incrementally extending facilities that will be shared among multiple buildings; and building laterals to specific customer locations. The costs associated with building backhaul infrastructure, *i.e.*, transport, reflect completely different equipment costs (*e.g.*, the cost of deploying high capacity add/drop multiplexers, cross-connection equipment, remote telemetry, etc), completely different facility lengths, completely different environment costs (*e.g.*, the costs of collocating in an ILEC central office and deploying equipment in the collocation space) and completely different scale economies. As the papers make clear, these are very distinct and separate analyses with very different and unique underlying cost components.

Other considerations are also important. The cost of backhaul infrastructure is analyzed on a route specific or point-to-point basis, which mirrors the manner in which unbundled transport is provided by the ILECs. The cost of constructing physical connections to individual customer locations is based around the cost of building out a local fiber ring architecture with laterals off the ring to allow multiple locations to be served by the same infrastructure. For these reasons, any attempt to apply the 3 DS3 limit to a "transport" equation would be a misinterpretation of the evidence presented and would turn the logical progression of facility construction and the associated economic analysis on its head. While loop construction is made more feasible due to the prior (or simultaneous) deployment of transport facilities, it is incorrect to assume that incremental loop deployment economics emulate transport facility deployment economics in any way.

Consistent with Commission rules, I am filing one electronic copy of this notice and request that you place it in the record of the above-referenced proceedings.

Sincerely,

Joan Marsh

cc: Michelle Carey
Thomas Navin
Jeremy Miller